

MT LEGISLATIVE HISTORY

Chapter 636 1989

Bill (H) 903 S _____

Original bill & hist. C

H. Committee on Taxation

S. Committee on Taxation

Hearing Date(s) Mar 20 ✓ C

Hearing Date(s) Apr 02 ✓ C

 C

Apr 10 ✓ C

 C

 C

 C

 C

Date Out Mar 21 ✓ C

Apr 11 ✓ C

Did this bill originate in an interim committee? Yes No

Committee

Report

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on March 20, 1989, at
7:00 p.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: None.

HEARING ON HOUSE BILL 703

Presentation and Opening Statement by Sponsor:

Rep. Jack Ramirez, District 87, stated HB 703 is a revision of the last session's sales assessment ratio study bill. He said the bill deals with the problems created by cyclical appraisals of real property which results in large evaluation increases. Rep. Ramirez said this bill will correct some of the problems with HB 436 passed in the last session of the legislature. He stated the bill now includes the right of appeal on appraisals and the effective date is delayed one year. Rep. Ramirez stated the bill now eliminates fee appraisals and makes the study results public information. He submitted one amendment changing the effective date. (Exhibit 1).

Testifying Proponents and Who They Represent:

Ken Nortveldt, Director, Department of Revenue
Dennis Flick, Deputy Mayor, Billings
Alec Hanson, League of Cities and Towns
Dennis Burr, Montana Taxpayer's Association

Proponent Testimony:

Ken Nortveldt stated the adjustments in the bill will make the sales assessment analysis ratio much more efficient. He said he supported the amendment to change the effective date to 1990. He proposed an amendment for page 6, line 10, to insert the word "sales" after the word "property." He said this was a misprint in the bill. He stated the bill would

make the annual readjustments of appraised values valid and dependable. He urged support of the bill.

Dennis Flick spoke in support of the bill. (Exhibit 2).

Alec Hanson stated the bill provided a much better system for evaluating property in the state. He said this bill corrects many of the problems encountered in the application of HB 436. He stated he supported the amendment to change the date to 1990 and he urged support of the bill.

Dennis Burr stated his organization supports the bill. He said the realty transfer certificates are the source of information to make appraisal adjustments. He stated the sales ratio study informs the public. He urged support of the bill.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Driscoll asked Rep.

Ramirez what the existing language on page 11, lines 3 and 4 meant. Rep. Ramirez replied this meant that aberrations are eliminated. Rep. Driscoll stated that a salvage value is left on commercial buildings although they are often worthless so the actual purchase price may be much less than the appraised value. Rep. Ramirez replied this was just to track changes due to market conditions and this situation would be unique and definitely an aberration. Rep. Ramirez then referred the question to Ken Nortveldt who responded in this situation, the property owner should have appealed an appraisal that was well above the real value of the property. He stated there are guidelines that must be used to evaluate the system and this type of aberration creates biases.

Rep. Ream asked Rep. Ramirez about page 16, line 6, noting that the last word on line 6 was "previous" and asked if this should be "1985." Rep. Ramirez concurred. He said the bill will have to be coordinated with SB 65 and this will be changed.

Closing by Sponsor: Rep. Ramirez stated this was a very important bill and any problems will be worked out. He urged support of the bill.

Discussion: None.

Amendments, Discussion, and Votes: Rep. Raney moved to amend the bill. He stated he wished to add the amendment suggested by Dennis Burr to publish the sales assessment ratio study for the public. Some committee members did not understand the amendment and Mr. Bohyer read the amendment which stated, "the department must publish the annual sales assessment ratio study for each county showing the ratio of sales values to assessed values of class 4 property" and Rep. Raney wants the amendment to read "for each area" instead of county. Rep. Raney asked the committee's permission to ask Dr. Nortveltdt a question. No one objected. Rep. Raney asked if it would not be very easy to comply with this amendment. Dr. Nortveltdt stated it would. He said this was a good amendment. The motion CARRIED by a 17 to 1 voice vote with Rep. Stang voting no. Rep. Gilbert proposed an amendment on page 6, line 10, following the word "property", insert "sales" and on page 5, line 2, strike "1988" and insert "1990." Rep. Gilbert moved the amendments. Motion CARRIED by unanimous voice vote.

Recommendation and Vote: Motion to DO PASS AS AMENDED CARRIED by a unanimous voice vote.

HEARING ON HOUSE BILL 725

Presentation and Opening Statement by Sponsor:

Rep. Jack Ramirez, District 87, stated HB 725 is an act to submit to the voters a constitutional limitation on the growth of state taxes. He said this would involve taking a base year, determining collections for that year and determining the personal income growth for the year. He suggested the base year should be one year after equalization which would be 1990 and this would be a change in the bill on page 2. He stated this was an important bill in order to gain acceptance of some of the things that must be done in the session to solve the state's financial problems. He said there will have to be either increases in current taxes or new taxes. He said the public will be alarmed that state government spending is getting out of control. He stated this bill will assure them this is not the case.

Testifying Proponents and Who They Represent:

Ken Nortveltdt, Director, Department of Revenue
Vera Cahoon, Missoula County
Valerie Larsen, Farm Bureau of the U.S.

Proponent Testimony:

Ken Nortveltdt stated the administration firmly supports this bill. He said the budgets must be balanced and with the

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date March 20, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman	✓		
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

3-31-89
3:40
[Signature]

STANDING COMMITTEE REPORT

March 21, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 703 (first reading copy -- white) do pass as amended.

Signed: [Signature]
Dan Harrington, Chairman

And, that such amendments read:

1. Title, line 7.

Following: ","

Insert: "REQUIRING THE DEPARTMENT OF REVENUE TO ANNUALLY PUBLISH
THE RESULTS OF SALES ASSESSMENT RATIO STUDIES;"

2. Page 4, line 4.

Following: "--"

Insert: "publication of sales assessment ratio studies --"

3. Page 5, line 2.

Strike: "1988"

Insert: "1990"

4. Page 6, line 10.

Following: "property"

Insert: "sales"

5. Page 10, line 19.

Following: "15-7-308"

Strike: ", but"

Insert: ". However, the department shall annually publish a
report containing the results of all sales assessment ratio
studies done in each of the areas described in subsection
(6). The report containing"

EXHIBIT 1
DATE 3/20/89
HB 703

Amendments to House Bill No. 703
First Reading Copy

Rep. J. Ramirez

Requested by Representative Ramirez
For the Committee on Taxation

Prepared by Greg Petesch
March 20, 1989

1. Page 5, line 2.
Strike: "1988"
Insert: "1990"

TESTIMONY OF DENNIS FLICK
BEFORE THE HOUSE TAXATION COMMITTEE
ON HOUSE BILL 703

EXHIBIT 2
DATE 3/20/89
HB 703
Rep. J. Ramirez

Mr. Chairman and members of the Committee, I am Dennis Flick, Deputy Mayor of the City of Billings. HOUSE BILL 703 consists of amendments to last session's HOUSE BILL 436 which established an annual process for adjusting taxable valuation based on sales assessment ratio studies. The City believes that HOUSE BILL 436 had certain flaws which would call into question the validity of the results of such studies. In addition, the way the Department of Revenue implemented the study under previous leadership also made the results questionable.

The amendments contained in HOUSE BILL 703 correct what the City believes are the most serious flaws in the original legislation. They also give the DOR rule making authority in implementing certain other provisions which will ensure that local governments will have input through the public hearing process.

The City of Billings is most appreciative of Representative Ramirez' efforts and those of the DOR to correct the problems contained in the original legislation. The DOR has assured us that they will continue to seek our input and to work with us on implementing this legislation if it passes.

We urge your approval.

COMMITTEE

DATE March 20, 1989

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

51ST

LEGISLATIVE SESSION

COMMITTEE ON

Deputation

<u>HOUSE</u>	ENTERED	DATE	OUT OF	DO PASS	DO NOT	DO PASS	BE CON-	BE CONC. IN	BE NOT C
BILL NO.	COMM.	CONSIDERED	COMM.	DATE	PASS DATE	AS AMEND. DATE	CURRED IN DATE	AS AMENDED DATE	CURRED I DATE
550	3/27	4/4 <i>referred to committee</i>							
552	3/27	3/31 "	"						
600	3/27	4/4 "	"						
765	3/27	4/4 "	"						
125	3/31	4/5	4/5				4/5		
163	3/31	4/4	4/5					4/4	
202	3/31	4/7 4/10	4/11					4/10	
280	3/31	4/5 4/10	4/11					4/10	
293	3/31	4/5 4/10 <i>4/12</i>							
475	3/31	4/5 <i>Tabled</i>	4/5						
588	3/31	4/4	4/4				4/4		
641	3/31	4/6 4/10 4/12	4/12					4/12	
664	3/31	4/6 4/10	4/11					4/10	
690	3/31	4/4	4/5					4/4	
703	3/31	4/7 4/10	4/11					4/10	
764	3/31	4/6 4/10	<i>4/10 Tabled</i>						

Use a separate sheet for Senate, House Bills, and Resolutions.

and corporate taxes also go into this fund. If on any month, the amount falls below the necessary funds needed to make the payment, money does have to spill back from the general fund to make up the shortfall.

Senator Crippen said his concern is not with the project in the bill but with the possibility of obligating more general fund expenditures in the future.

Closing by Sponsor:

Representative Pavlovich closed by saying said the adjusted fiscal note from the budget office and also one from the LFA will bring in approximately \$2.4 million in the biennium. He said many states have higher cigarette taxes than Montana. He also noted we have per capital more veterans in Montana than any other state. One way or the other we are going to have provide care for our veterans and this seems to be an easy solution at this time.

HEARING ON HOUSE BILL 703

Presentation and Opening Statement by Sponsor:

Representative Ramirez, District 87, sponsor, said the bill revises sales assessment ratio study procedures used in annual adjustments. This bill is intended to clean up mechanical problems in HB 436 of the 1987 session which has gone to court for remedy. He noted on the right of appeal is reinstated on page 3. Page 5 waives for one year the adjustment of values which allows everyone to get caught up. It also defines the sample assuring a sufficient sample size. The DOR can determine the areas in each adjustment under the provisions on page 6. Page 9 eliminates fee appraisals. Page 10 provisions provides for the study results to be made public so that local governments can check the validity of the data while still protecting the confidentiality of the realty transfer certificate. Page 11 also deals with improving the accuracy of the method of sales assessment ratio studies and also allows adjustment in valuations whether they go up or down. Page 14 contains an exemption for adjustment from I-105. He said the bill clears up the technical problems which improve the operation of the property tax appraisal and is essential to the property tax system.

List of Testifying Proponents and What Group they Represent:

Dennis Burr, Montana Taxpayers Association
John Lawton, City of Billings
Director Ken Nordtvedt, Department of Revenue

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Dennis Burr, Montana Taxpayers Association, expressed support for the bill based on the testimony of Representative Ramirez. He suggested the sales assessment ratio studies be published by county as well as by district.

John Lawton, City of Billings, and also speaking for the Montana League of Cities and Towns, said they support the bill as it is simply to apply technical correction which are needed in the sales assessment ratio studies.

Director Nordtvedt, DOR, said they support the efficient operation of the annual reappraisal based on sales studies as the best way to approach the whole problem of reappraisal. Once all the kinks are worked out the people should be quite satisfied with the system. This bill takes care of many of the technical problems that have been encountered in the past two years. He said he does have some other technical amendments to propose which he will get to the committee before they next meet.

Questions From Committee Members:

None

Closing by Sponsor:

Representative Ramirez closed by saying this bill is extremely important to the property tax system. He urged the committee to pass the bill as soon as possible so that it can be in place quickly and satisfy the court and the plaintiffs.

DATE 4-7-89 1063

COMMITTEE ON

Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
RACHEL BAKKEN	ET	471	with X AMEND	
Walter Skurston	ET	471	X	
Diane A. Bakken	ET	471	with X AMENDMENT	
Bernadine L. Randall	ET	471	W/T Hager X Amendment	
BILL LEE	ET	471	W/T HAGER AMENDMENT	
Tom Waterman	ET	471	W/T Hager Amendment	
Mary L. Craig	ET	471	W/T Hager Amendment	
Tom F. Mullaney	ET	471	W/T HAGER Amendment	
Phil Marshall	Phillip Morris	HB202		✓
Edw. Smalwood	ET	HB 471	W/Hager Amendment	
Tom Schuder	MPEA	471		✓
John Jensen				
JOHN DENHEIDER	DEPT RET DAY	202	X	
"	INDIVIDUAL MPER	471		✓
Lyle Jensen	ET	471	W/AMEND	✓
Marvin Moberg	ET	471		✓
JOHN CARLSON	ET	471	"	
Ray B. Williams		202	X	
George Foster	United Veterans Con. AMT	202	X	
John Lawton	City of Billings	HB 73	✓	
Gladys Bloom	Water			
(W) Portland	HP # 70 BOTT	HB 202	✓	
John E. Sloan	MOPH	202	✓	
Kathie Sparr	Gladys Forward	HB 202	X	
	R.T. Remick Tobacco	202		

VISITORS' REGISTER

[illegible]

ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 4/7/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Amendments and Votes:

Senator Crippen MOVED coordinating instructions be put in the bill to coordinate with HB 463 and HB 469.

The motion CARRIED unanimously.

Recommendation and Vote:

Senator Halligan MOVED HB 664 Be Concurred In As Amended.

The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL 703

Discussion: See Following

Amendments and Votes:

Senator Harp MOVED to adopt the amendments as presented by the Department of Revenue (Exhibit #18).

The motion CARRIED unanimously.

Senator Crippen MOVED to amend the bill as per Exhibit #19. This is an amendment from Representative Ramirez which coordinates the bill with SB 65.

The motion CARRIED unanimously.

Recommendation and Vote:

Senator Crippen MOVED HB 703 Be Concurred In As Amended.

The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL 764

Discussion: None

Amendments and Votes: None

Recommendation and Vote:

Senator Harp MOVED TO TABLE HB 764.

The motion CARRIED with Senator Halligan voting no.

51st LEGISLATIVE SESSION -- 1989Date 4/16/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	Y		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

page 1 of 3
April 11, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 703 (third reading copy -- blue), respectfully report that HB 703 be amended and as so amended be concurred in:

Sponsor: Ramirez (Crippen)

1. Title, line 9.

Following: "1"

Insert: "REVISING THE REAPPRAISAL PLAN REQUIREMENTS;"

2. Page 3, line 24.

Following: "valuation"

Strike: "1"

Insert: "and"

3. Page 3, line 25.

Following: "determination"

Strike: ", "

Insert: ". The property owner may not appeal"

4. Page 4, line 3.

Following: "1"

Strike: "and"

Following: "stratum"

Insert: ", "

5. Page 4, line 5.

Following: line 4

Insert: "(7) The percentage adjustments, stratum, and area designations must be adopted by administrative rule. An annual hearing must be held to accept testimony on the percentage adjustments, stratum, and area designations. The department shall present its findings and the proposed rules to the revenue oversight committee."

6. Page 4, lines 14 and 15.

Following: "years" on line 14

Strike: remainder of line 14 through "year" on line 15

7. Page 5, lines 8 through 14.

Following: "residential" on line 8

Strike: remainder of line 8 through "year" on line 14

Insert: "land and improvements, agricultural 1-acre homesites and improvements, and commercial land and improvements. The sales assessment ratio based on property sales finalized and recorded by no later than November 1 must be used to determine appraisals for the immediately succeeding tax year"

8. Page 6, line 13.

Strike: "comparable numbers of property SALES and"

9. Page 6, line 14.

Strike: "The areas must"

Insert: "and"

10. Page 10, lines 9 and 10.

Following: "staff" on line 9

Strike: "who have no access to appraisal values and"

11. Page 10, lines 17 through 21.

Following: "(b)" on line 17

Strike: remainder of line 17 through "study." on line 21

12. Page 10, line 22.

Strike: "contained on"

Insert: "entered in"

13. Page 11, line 18.

Strike: "1"

14. Page 11, lines 20 and 21.

Following: "and" on line 20

Strike: "remainder of line 20 through "produce" on line 21

Insert: "when the sample size produces a"

April 11, 1989

page 2 of 3

15. Page 12, line 5.

Following: line 4

Insert: "(c) Assessments in an area are considered equalized under subsection (8)(a) if the ratio for the area is within plus or minus 5% of common value 1."

16. Page 14, line 12.

Following: "through"Strike: "(7)"

Insert: "(8)"

17. Page 15, line 5.

Following: "through"Strike: "(7)"

Insert: "(8)"

18. Page 18, line 12.

Following: line 11

Insert: "NEW SECTION. Section 5. Coordination instruction. If [this act] and Senate Bill No. 65 are passed and approved, the amendment to 15-10-412(3)(i) in Senate Bill No. 65 and the language in the amendment to Senate Bill No. 65 inserting 15-10-412(4)(a)(ii) that reads "or a sales assessment ratio study" are void."

Renumbe: subsequent section

AND AS AMENDED BE CONCURRED IN

Signed: _____

Bob Brown
Bob Brown, Chairman

Amendments to House Bill No. 703
Third Reading Copy

BILL NO. HB 703

Requested by Representative Ramirez
For the Committee on Taxation

Prepared by Greg Petesch
March 31, 1989

1. Page 18, line 12.
Following: line 11
Insert: "

NEW SECTION. Section 5. Coordination instruction. If
[this act] and Senate Bill No. 65 are both passed and approved
the amendment in Senate Bill No. 65 to 15-10-412(3)(i) and the
language in the amendment inserting 15-10-412(4)(ii) that reads
"or a sales assessment ratio study" are void."

PROPOSED AMENDMENTS TO HB 703
Third (Blue) Reading Copy

1. Title, line 9.
Following: ";"
Insert: "REVISING THE REAPPRAISAL PLAN REQUIREMENTS;"
2. Page 3, line 24
Following: "valuation"
Strike: ", "
Insert: "and"
3. Page 3, line 25
Following: "determination"
Strike: ", "
Insert: ". The property owner may not appeal"
4. Page 4, line 3
Following: ", "
Strike: "and"
5. Page 4, line 4.
Following: "15-7-111."
Insert: "(7) The percentage adjustments, stratum, and area designations shall be adopted in administrative rule. An annual hearing must be held to accept testimony on the percentage adjustments, stratum and area designations. The department shall present its findings and the proposed rules to the Revenue Oversight Committee."
6. Page 4, line 14.
Following: "years"
Strike: "or that no less than 20% of the property in each county shall be revalued in each year"
7. Page 5, line 8.
Following: "residential"
Strike: Remainder of line 8 through "residence." on page 5, line 13.
Insert: "land and improvements, agricultural 1 acre homesites and improvements, and commercial land and improvements."
8. Page 10, line 9.
Following: "staff"
Strike: "who have no access to appraisal values and"
9. Page 10, line 17.
Following: "(b)"
Strike: Remainder of lines 17 through "study." on page 10, line 21.

10. Page 10, line 21.
Following: "sales information"
Strike: "contained on"
Insert: "entered in"

11. Page 11, line 20.
Following: "and"
Strike: "an adequate sample size is used to produce"
Insert: "when the sample size produces a"

12. Page 12, line 4.
Following: "that study."
Insert: "(c) Assessments in an area shall be considered equalized under subsection (a) if the ratio for the area is within plus or minus 5% of common value 1."

13. Page 14, line 10.
Following: ; or
Strike: "(i)"
Insert: "(iii)"

14. Page 14, line 12.
Following: "through"
Strike: "(7)"
Insert: "(8)"

15. Page 15, line 3.
Following: "status;"
Strike: "or"

16. Page 15, line 5.
Following: "through"
Strike: "(7)"
Insert: "(8)"

17. Page 5, lines 13 through 14.
Strike: "Values based on each year's study may not be implemented until the following year"
Insert: "Sales assessment ratio based on property sales finalized and recorded by no later than November 1 shall be used to determine appraisals for the immediately succeeding tax year."

18. Page 6, line 13.
Strike: "comparable number of property sales and"

19. Page 6, line 14.
Strike: ". The areas"
Insert: "and"

May wanted to strike section 3 in its entirety because overlaps and conflicts with wording in SB 65.

STATUS SHEET

51st. LEGISLATIVE SESSION

TAXATION

COMMITTEE

BILL NUMBER	ENTERED COM. DATE	DATE CON- SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON- CURRED IN DATE	BE NOT CON- CURRED IN DATE	BE CON- CURRED IN AMENDED DATE	BE CON- CURRED IN AMENDED DATE
HB 622	2/21/89	3/8/89	Tabled								
HB 625	2/10/89	3/1/89	Tabled								
HB 634	2/10/89	3/2/89	Tabled								
HB 638	2/13/89	3/3/89	Tabled								
HB 641	2/13/89	3/2/89	3/20/89			3/20/89					
HB 643	2/13/89	3/2/89	3/7/89		3/7/89						
HB 664	2/13/89	3/15/89	3/20/89			3/20/89					
HB 687	2/16/89	3/3/89	Tabled								
HB 690	2/21/89	3/7/89	3/7/89		3/7/89						
HB 703	2/15/89	3/20/89	3/20/89			3/20/89					
HB 725	2/16/89	3/20/89	Tabled								
HB 737	2/16/89	3/8/89									
HB 745	2/22/89	3/6/89	Tabled								
HB 747	2/22/89	3/6/89	3/20/89				3/20/89				

Use a separate sheet for Senate Bills, House Bills, and Resolutions.